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**FILED**

SEP 22 2003

RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SYNOPSYS, INC.,

No. C 03-2289 MJJ

Plaintiff,

v.

RICOH COMPANY, LTD.,

Defendant.

**ORDER DENYING DEFENDANT'S  
MOTION TO DISMISS OR, IN THE  
ALTERNATIVE, STAY OR TRANSFER**

**INTRODUCTION**

Before the Court is Ricoh Company, Ltd.'s ("Defendant") motion to dismiss or, in the alternative, stay or transfer the above-entitled action. In order to resolve this motion, the Court must determine whether: (1) Defendant is subject to personal jurisdiction in this forum; (2) this action presents an actual case or controversy; and (3) the District of Delaware is a more ideal forum for this action. Having considered the briefing in this matter and listened to argument from the parties, the Court **DENIES** Defendant's motion in its entirety.

**FACTUAL BACKGROUND**

Plaintiff is incorporated in Delaware and maintains its headquarters in this district. Opposition to Motion to Dismiss or, in the Alternative, Stay or Transfer ("Opposition") at 23:9-11. It is the industry-leading provider of "logic synthesis software," which is used in the process of designing application specific integrated circuits ("ASICs"). ASICs are typically designed by the companies that intend to use them in consumer products or electrical devices, but are manufactured under contract by semiconductor foundries. These foundries require that the ASIC designs that they

1 fabricate be designed using “foundry library cells” contained in a library provided by the particular  
2 foundry. These library cells are typically quite primitive in function and are not equipt to design  
3 circuits of any complexity. *Id.* 2:22-2:1.

4       Thus, instead of constructing their designs from foundry library cells, circuit designers  
5 describe their target circuits using a type of computer language called hardware descriptive language  
6 (“HDL”). A circuit designer uses HDL to describe how the desired electrical circuit can be  
7 composed from a collection of components, or cells, from the “design library.” The cells in the  
8 design library have significantly greater functionality than foundry library cells, and correspond to  
9 larger, more significant circuit elements. *Id.* at 3:2-9.

10      When a circuit designer has completed an HDL description of the target ASIC, this HDL  
11 description can be provided as an input to logic synthesis software to derive an equivalent circuit  
12 construction from the particular set of “foundry library cells” provided by the foundry that the  
13 designer intends to use. The output of the logic synthesis software can then be supplied to the  
14 foundry for generation of the desired ASIC. *Id.* at 3:10-14.

15      Plaintiff’s most widely used logic synthesis software product is called Design Compiler.  
16 Circuit designers using Design Compiler first construct an HDL description of the intended circuit  
17 utilizing cells drawn from Plaintiff’s design library called DesignWare. Design Compiler then takes  
18 HDL that utilizes circuit cells found in DesignWare and produces circuits based upon cells from the  
19 foundry library used by the contract foundry. *Id.* at 3:15-19.

20      Defendant is a Japanese corporation headquartered in Tokyo. It manufactures digital office  
21 equipment, including copiers, printers, facsimile machines, personal computers, and digital cameras.  
22 Declaration of Erik Moller (“Moller Decl.”), Exh. F (Ricoh 2003 Annual Report). Defendant’s  
23 “global network” includes 395 wholly-owned subsidiaries (133 domestic; 262 foreign), several of  
24 which are located throughout the United States, including California. *Id.*, Exh. E (Ricoh Fact Book)  
25 at 18. For example, Ricoh Corporation, Defendant’s “the North and South American sales and  
26 marketing unit” is headquartered in New Jersey. *Id.*, Exh. I. Ricoh Corporation is also registered to  
27 do business in California and maintains its Western Regional Sales Office in Tustin, California. See  
28 *id.*, Exhs. J, L. In addition to Ricoh Corporation, Defendant maintains at least three other “principle

1 overseas operations” in California.<sup>1</sup>

2 On January 21, 2003, Defendant sued six of Plaintiff’s customers—designers and  
 3 manufacturers of computer chips (“Delaware defendants”)<sup>2</sup>—in the District of Delaware (“Delaware  
 4 action”), alleging infringement of process claims described in its United States Patent No. 4,922,432  
 5 (“‘432 patent”).<sup>3</sup> Plaintiff immediately assumed control of the defense of its customers in the  
 6 Delaware action pursuant to indemnification agreements. On June 5, 2003, Plaintiff filed an action  
 7 in this court for a declaratory judgment of non-infringement with regard to the ‘432 patent and U.S.  
 8 Patent No. 5,197,016 (the “‘016 patent”).<sup>4</sup> Then, on August 29, the Delaware action was transferred  
 9 to this district.

10 The Court now considers Defendant’s motion to dismiss or, in the alternative stay or transfer.

## 11 ANALYSIS

### 12 I. Motion to Dismiss

#### 13 A. Personal Jurisdiction

14 “Federal Circuit law governs the issue of personal jurisdiction in patent-related cases.”  
 15 *Deprenyl Animal Health, Inc. v. University of Toronto Innovations Foundation*, 297 F.3d 1343, 1348  
 16 (Fed. Cir. 2002). However, in determining whether personal jurisdiction exists over an out-of-state  
 17 defendant, the Federal Circuit applies the same two-prong analysis as all federal circuits: (1) whether  
 18 the forum state’s long-arm statute permits service of process; and (2) whether the exercise of  
 19 jurisdiction comports with the requirement of due process. However, because California’s long-arm

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20       <sup>1</sup> Ricoh Silicon Valley, Inc., Cupertino (development and marketing); Ricoh Electronics, Inc.,  
 21 Tustin (office equipment and sales); Ricoh Innovations, Inc., Menlo Park (basic and applied research  
 22 and development (“R&D”) and venture capital financing). *See* Moller Decl., Exh. E at 20-21.

23       <sup>2</sup> Aeroflex Incorporated (“Aeroflex”); AMI Semiconductor, Inc. (“AMI”); and Matrox Electronic  
 24 Systems Ltd., Matrox Graphics Inc., Matrox International Corp., and Matrox Tech Inc. (collectively,  
 25 “Matrox”).

26       <sup>3</sup> The ‘432 describes “a computer-aided design system and method for designing an [ASIC]  
 27 which enables the user to define functional architecture independent specifications for the integrated  
 28 circuits and which translates the functional architecture independent specifications into the detailed  
 information need for directly producing the integrated circuit.” *Id.* at Abstract.

29       <sup>4</sup> In the ‘016 patent describes “[a] computer-aided system and method...for designing an [ASIC]  
 30 whose intended function is implementation both by a hardware subsystem including hardware elements  
 31 on the integrated circuit and by a software subsystem including a general purpose microprocessor also  
 32 on the integrated circuit.” *Id.* at Abstract. The ‘016 patent is not at issue in the Delaware action.

1 statute is coextensive with the limits of due process, the court need only consider the requirements of  
2 due process. *See Dianippon Screen Manufacturing Company, Ltd. v. CFMT, Inc.*, 142 F.3d 1266,  
3 1269-70 (Fed. Cir. 1998). In exercising jurisdiction over an out-of-state defendant, due process  
4 requires that said defendant “have certain minimum contacts with [the forum] such that the  
5 maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’”  
6 *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

7           **1. Minimum Contacts**

8           Under the minimum contacts test, jurisdiction may either be specific or general. Specific  
9 jurisdiction exists where the defendant “has purposefully directed his activities at residents of the  
10 forum and the litigation results from alleged injuries that arise out of or relate to those activities.”  
11 *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1360 (Fed. Cir. 2001). “General jurisdiction arises when a  
12 defendant maintains ‘continuous and systematic’ contacts with the forum state even when the cause  
13 of action has no relation to those contacts.” *LSI Industries Inc. v. Hubbell Lighting, Inc.*, 232 F.3d  
14 1369, 1375 (Fed. Cir. 2000). Because Plaintiff does not alleged an injury arising out of or related to  
15 Defendants activities in this forum, the Court’s analysis is limited to one of general jurisdiction.

16           There is no dispute that Defendant, a Japanese Company headquartered in Tokyo, does not  
17 have any direct contact with California. However, this fact is not dispositive. In *LSI Industries*, an  
18 out-of-state defendant “employ[ed] multiple distributors in...and net[ted] several millions of dollars  
19 per year from sales in [the forum],” but never sold any of its allegedly infringing products the state.  
20 *Id.* at 1370. Based on these facts, the court held that defendant “maintain[ed] ‘continuous and  
21 systematic’ contacts with [the forum]” and was “subject to general jurisdiction...under the Due  
22 Process Clause.” *Id.* at 1375.

23           In this case, Defendant has a “global network” of 262 wholly-owned subsidiaries outside of  
24 Japan, which consist of sales, manufacturing, and R&D operations. *See* Moller Decl., Exh. E at 18-  
25 23. For example, one of Defendant’s “principle oversees operations,” Ricoh Corporation (*see id.* at  
26 20), is described its “North and South American sales and marketing unit....” *See id.*, Exh. I.  
27 Although headquartered in New Jersey (*id.*), Ricoh Corporation is registered to do business in  
28 California (*see id.*, Exh. L) and maintains a regional sales office in Tustin. *See id.*, Exh. J. In

1 addition to Ricoh Corporation, Defendant has three other “principle” subsidiaries which are based in  
2 California. *Id.*, Exh. E at 18-23. Although the amount of sales in California is unknown, Defendant  
3 states that its sales in North and South America equal \$2.9 billion. *Id.* Exh. F at 18. Thus, like *LSI*,  
4 the Defendant here maintains a significant business presence in the forum (sales, manufacturing, and  
5 R&D). Moreover, given the size of California’s economy, it is reasonable to assume that Defendant  
6 generates substantial sales in this forum as well. Thus, under Federal Circuit precedent, the exercise  
7 of personal jurisdiction is proper under these circumstances.

8       *LSI* is also consistent with Ninth Circuit precedent with respect to the doctrine of “general  
9 agency.” In *Chan v. Society Expeditions, Inc.* 39 F.3d 1398, 1405 (9th Cir. 1994), the court held that  
10 “[a] foreign corporation is doing business in [the forum]...when its...representative [in the forum]  
11 provides services beyond ‘mere solicitation’ and these services are sufficiently important to the  
12 foreign corporation that if it did not have a representative to perform them, the corporation’s own  
13 officials would undertake to perform substantially similar services.” *Id.* (citation and quotation  
14 omitted). In other words, under Ninth Circuit precedent, the question is whether the subsidiary’s  
15 presence truly substitutes for that of the parent. *See Doe v. Unocal*, 248 F.3d 915, 928-29 (9th Cir.  
16 2001). However, day-to-day control is not required. *See Modesto City Schools v. Riso Kagaku*  
17 *Corporation*, 157 F.Supp.2d 1128, 1133 (E.D. Cal. 2001) (“day-to-day control is not an element of  
18 the general agency test in the Ninth Circuit”). In this case, it is evident that Defendant’s multifaceted  
19 operations are necessary to its viability in the forum and represent tasks Defendant would have to  
20 perform itself but for the existence of its subsidiaries based in this forum or registered to do business  
21 here.

22           **2. Reasonableness**

23       In addition to minimum contacts, the exercise of personal jurisdiction must be reasonable.  
24 “The test of unreasonableness is a multi-factored balancing test that weighs any burdens on the  
25 defendant against various countervailing considerations, including the plaintiff’s interest in a  
26 convenient forum and the forum state’s interest in resolving controversies flowing from in-state  
27 events.” *Viam Corporation v. Iowa Export-Import Trading Co.*, 84 F.3d 424, 429 (Fed. Cir. 1996)  
28 (citation omitted). Specifically, courts are to consider (1) the burden on the defendant; (2) the

1 interests of the forum state; (3) the plaintiff's interest in obtaining relief; (4) the interstate judicial  
2 system's interest in obtaining the most efficient resolution of controversies; and (5) the interest of the  
3 states in furthering their social policies. *Id.* However, a finding of unreasonableness is generally  
4 limited to "the rare situation in which the plaintiff's interest and the state's interest in adjudicating  
5 the dispute in the forum are so attenuated that they are clearly outweighed by the burden of  
6 subjecting the defendant to litigation within the forum." *Beverly Hills Fan Company v. Royal*  
7 *Sovereign Corporation*, 21 F.3d 1558, 1568 (Fed Cir. 1994). Upon consideration of these factors,  
8 the Court finds that the exercise of jurisdiction is reasonable under these circumstances.

9 Therefore, the Court **DENIES** Defendant's motion to dismiss for lack of personal  
10 jurisdiction.

11       **B. Case or Controversy**

12       In order for a federal court to exercise jurisdiction, there must be an actual case or  
13 controversy. For a court to proceed in the absence of such would run afoul of the constitutional  
14 prohibition against advisory opinions. *See Aetna Life Insurance Co. v. Haworth*, 300 U.S. 227, 239-  
15 40 (1937). In determining whether an actual case or controversy exist in the context of a patent  
16 declaratory judgment action, the Federal Circuit employs an objective test, which looks at the  
17 conduct of both plaintiff and defendant:

18       First, the defendant's conduct must have created on the part of the plaintiff a *reasonable apprehension* that the defendant will initiate suit if the plaintiff continues the allegedly  
19 infringing activity. Second, the plaintiff must actually have either produced the device or  
have prepared to produce that device.

20       *Arrowhead Industrial Water, Inc. v. Ecolohem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988) (quoting  
21 *Goodyear Tire & Rubber Company v. Releasomers, Inc.*, 824 F.2d 953, 955 (Fed. Cir. 1987))  
22 (emphasis added).

23       However, the Federal Circuit has stated that this test must "read, apply, and perhaps  
24 modified in light of the facts of [the particular case]" *Id.* Thus, in *Arrowhead*, the court distilled the  
25 test down to two "core elements": "(1) acts of defendant indicating an intent to enforce its patent;  
26 and (2) acts of plaintiff that might subject it or its customers to suit for patent infringement." *Id.* at  
27 737.  
28

1                   **1.      Defendant's Conduct (Reasonable Apprehension)**

2                 In this case, Defendant has unconditionally agreed not to sue Plaintiff for infringement as to  
3 any claims in the '432 and '016 patents based upon the products currently produced by Plaintiff. *See*  
4 Takiguchi Decl. ¶ 10. Defendant argues that this fact alone is sufficient to negate any reasonable  
5 apprehension of suit. *See Super Sack Manufacturing Corporation v. Chase Packaging Corporation*,  
6 57 F.3d 1054, 1059 (Fed. Cir. 1995) (Plaintiff's promise not to sue for patent infringement based on  
7 products made, sold, or used prior to the date of its motion to dismiss "removes from the field any  
8 controversy sufficiently actual to confer jurisdiction"); *Intellectual Property Development, Inc. v.*  
9 *TCI Cablevision of California, Inc.*, 248 F.3d 1333, 1342 (Fed. Cir. 2001) ("the statement of non-  
10 liability divest[s] the district court of Article III jurisdiction..."). However, neither *Super Sack* nor  
11 *Intellectual Property* is directly on point. Each involves a situation in which the plaintiff, the patent  
12 holder, brought suit for infringement, which was followed by a counter-claim for non-infringement  
13 by defendant. At some point during the litigation, plaintiff dropped its claim for infringement and  
14 covenanted not to sue defendant based on the allegedly infringing products. Neither case involved  
15 customer suits.

16                 Moreover, the *Arrowhead*, court endorsed an earlier Seventh Circuit decision which  
17 "employed a test requiring an apprehension that plaintiff or its '*customers* face an infringement suit  
18 or *threat of one*'" *Id.* at 736 (quoting *Grafon Corp. v. Hausermann*, 602 F.2d 781, 783 (7th Cir.  
19 1979)). In this case, Defendant has initiated a suit against several of Plaintiff's customers in the  
20 District of Delaware. Thus, there can be no doubt regarding Defendant's intent to enforce its patents  
21 against such customers. Thus, based on *Arrowhead*, the Court finds that the "reasonable  
22 apprehension" requirement has been satisfied.

23                   **2.      Plaintiff's Conduct**

24                 The Court now turns to the second prong of the case or controversy test prescribed by the  
25 Federal Circuit: "acts by Plaintiff that might subject it or its customers to suit for patent  
26 infringement." *Arrowhead*, 846 F.2d at 737. Put another way, "[p]laintiff must be engaged in an  
27 actual making, selling, or using activity subject to an infringement charge or must have made  
28 meaningful preparation for such activity." *Id.* at 736. Thus, the question whether Defendant's action

1 against the Delaware defendants sufficiently implicates Plaintiff's manufacture of the Design  
2 Compiler such that there is a justiciable controversy.

3 Several Court's have addressed this issue. In the seminal case of *Aralac v. Hat Corporation*  
4 *of America*, 166 F.2d 286 (1948), plaintiff manufactured and sold "casein fiber" to hat manufacturers  
5 and others. Defendant threatened to and, in one case, actually did file suit for infringement against  
6 several of plaintiff's customers stating that the use of casein fibers in their manufacturing process  
7 infringed its patent. However, the Court found that there was no controversy because "[t]he  
8 invention covered by the patents [was] not per se for casein fiber but cover[ed] the process of  
9 combining such fibers with fur fibers to form hats or hat materials." *Id.* at 293. The Court reasoned:

10 Plaintiff has the right to have that which it lawfully produces freely bought and sold without  
11 restraint or interference. It is a right which attaches to its product, to a particular thing - as an  
12 article of commerce - and it continues only so long as the commodity to which the right  
13 applies retains its separate identity. If in the course of trade that commodity is combined with  
14 other things in the process of the manufacture of a new commodity, the trade right in original  
part as an article of commerce is necessarily gone.... The situation as to plaintiff is no  
different than if plaintiff sold milk, from which casein is made, to its customers and they in  
turn made their own casein fibers which they might thereafter use in a way to infringe  
defendant's patents, or in a way which would not.

15 *Id.* at 293-94, 297.

16 Several lower courts have distinguished *Aralac* based on the fact that the product at issue,  
17 unlike casein fiber, was essentially limited to the allegedly infringing use. *See, e.g., EIC*  
18 *Laboratories, Inc. v. Deuterium Corporation.*, 1982 U.S. Dist. LEXIS 17604, \*5 (S.D.N.Y. 1982)  
19 (finding a controversy where it was likely that the product had a "limited number of uses, perhaps  
20 only that of which defendant complains"); *Wallace & Tiernan Inc. v. General Electric Company*, 291  
21 F.Supp. 217, 223 (1968) (finding a controversy where the product "was developed chiefly, if not  
22 exclusively, for the use plaintiff seeks to defend and vindicate"). Thus, the question is whether  
23 Plaintiff's Design Compiler is (1) simply a commodity that is combined with other things to a form a  
new commodity; or (2) essentially limited to the allegedly infringing use by Plaintiff's customers.

25 Of course, Defendant contends that the former is true. Specifically, Defendant argues that the  
26 Delaware action its not premised on an allegation that "[Plaintiff's] software (without any actual chip  
27 manufacturing operation) infringes the '432 Patent." Motion at 9:8-11. Rather, Defendant theory is  
28 that "[b]y loading the [Plaintiff's] software onto [their] computers and designing ASIC chips using a

1 process that combines software, hardware and certain manufacturing processes in a manner that  
 2 infringes the ‘432 Patent..., the Delaware defendants are actually infringing the process claimed in  
 3 the ‘432 Patent.” Reply 4:15-20. Plaintiff does not dispute this point. In fact, it admits that the  
 4 ASICs are “typically designed by the companies that intend to use them [and] are manufactured  
 5 under contract by semiconductor foundry businesses.” Opposition at 2:23-25.

6 However, these facts fail to address the issue raised by *Aralac* and its progeny. Based on  
 7 Plaintiff’s description of the function of the Design Compiler, it is clear its primary use is to facilitate  
 8 the very process that forms the basis of the suit against the Delaware defendants. In more technical  
 9 terms, when a circuit designer has completed an HDL description of the target ASIC, this HDL  
 10 description can be provided as an input to *logic synthesis software* to derive an equivalent circuit  
 11 construction from the particular set of “foundry library cells” provided by the foundry that the  
 12 designer intends to use. The output of the *logic synthesis software* can then be supplied to the  
 13 foundry for generation of the desired ASIC. *Id.* at 3:10-14.

14 For these reasons, the Court finds that Defendant’s claims against Plaintiff’s customers are  
 15 necessarily allegations against the primary use of the Design Compiler itself. Therefore, Plaintiff’s  
 16 actions in manufacturing and selling the product is sufficient to satisfy the case or controversy  
 17 requirement.<sup>5</sup>

18 Therefore, the Court **DENIES** Defendant’s motion to dismiss for lack of an actual case or  
 19 controversy.

20 **II. Motion Stay or Transfer**

21 Defendant’s motion to stay the action or transfer it to the District of Delaware was based  
 22 primarily on the fact that there was an earlier-filed action pending in that jurisdiction. Now that the  
 23 Delaware action has been transferred to this forum, there is no basis to stay or transfer the action.<sup>6</sup>

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24  
 25 <sup>5</sup> Plaintiff’s duty to indemnify its customer is also sufficient to establish a case or controversy.  
 See *Minebea Co., Ltd. v. Papst*, 13 F.Supp.2d 35, 39 (D.D.C. 1998) (citing multiple cases for the  
 26 proposition that a duty to indemnify is sufficient to create a justiciable controversy).

27 <sup>6</sup> For the same reason, it would also be inappropriate for the Court to apply the first-to-file rule.  
*Pacesetter Systems, Inc. v. Medtronic, Inc.*, 678 F.2d 93, 94-95 (9th Cir. 1982) (“this ‘first to file’ rule  
 28 is not a rigid or inflexible rule to be mechanically applied, but rather is to be applied with a view to the  
 dictates of sound judicial administration” ) *Id.*

## **CONCLUSION**

2 Therefore, the Court **DENIES** Plaintiff's motion to dismiss or, in the alternative, stay or  
3 transfer.

5 IT IS SO ORDERED.

7 Dated: September 2003

Martin J. Jenkins  
MARTIN J. JENKINS  
UNITED STATES DISTRICT JUDGE